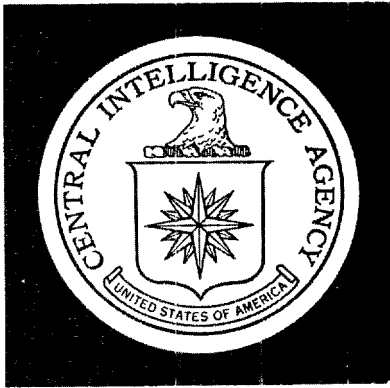


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The Philippines under President Marcos

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THE PHILIPPINES UNDER PRESIDENT MARCOS

In his 14 months in office, President Ferdinand Marcos has broadened the Philippines' involvement in Far Eastern international problems, while showing little more than good intentions on the domestic front. Concentration on such foreign issues as the authorization for sending a Philippine battalion to South Vietnam has tended to leave relatively untouched the deep-rooted social, economic, and political problems that had evaded solution by previous administrations. Widespread discontent with pervasive rural poverty and rising urban unemployment has contributed to a growing incidence of crime and violence as well as a resurgence of leftist activities. The Communist-connected Huk bands in central Luzon, once virtually eliminated, have again become a matter of serious concern to the government although the threat remains a modest one.

Limited Domestic Progress

To cope with the nation's many pressing problems, Marcos' initial program gave priority to a number of specific goals, including fiscal reform, rural development and increased agricultural production, a revamped military establishment, improved educational facilities, and the reduction of crime, smuggling, and corruption. Efforts to implement this program have not yet shown notable success, although there have been encouraging signs in some areas.

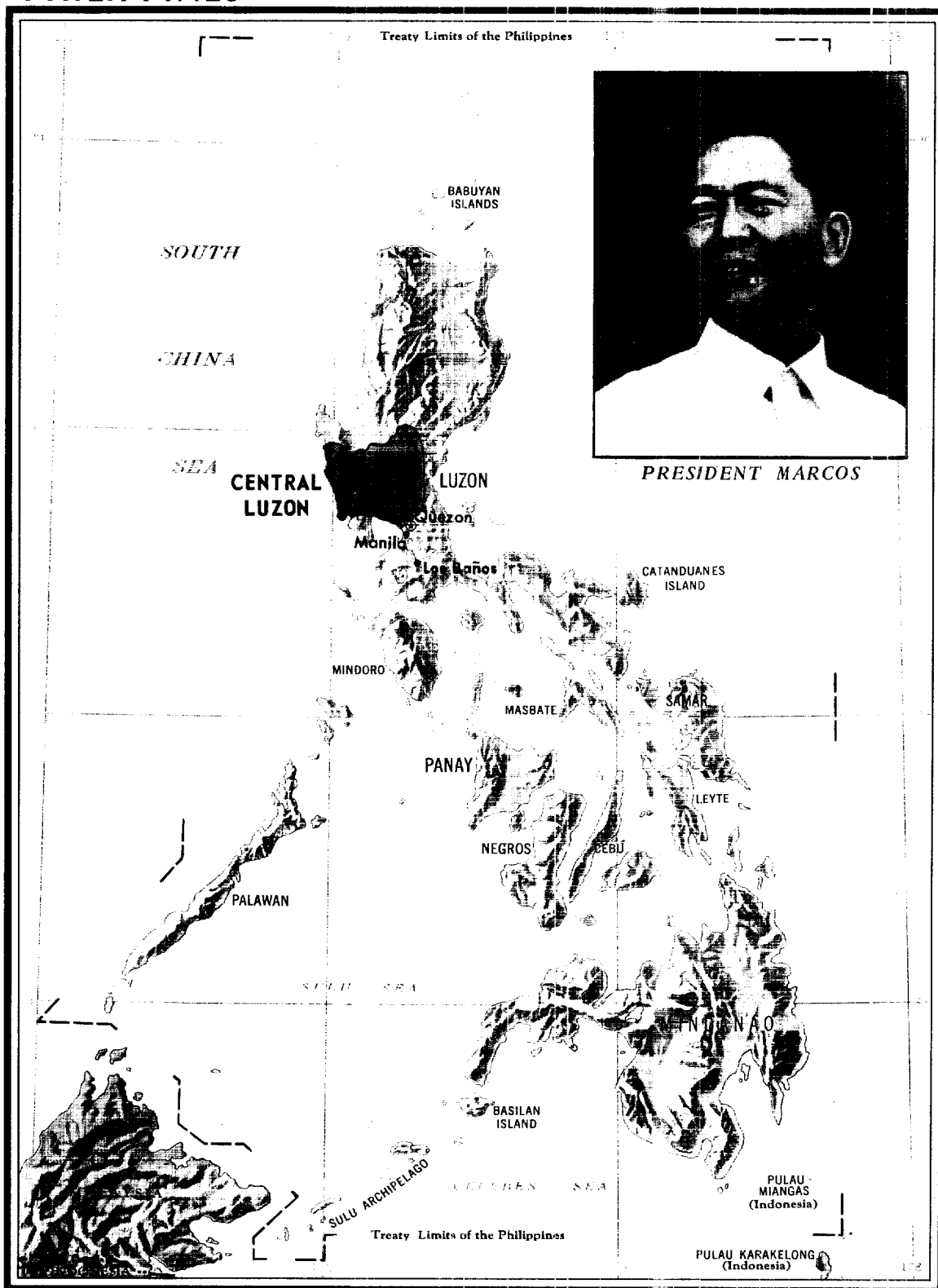
The national treasury, depleted by last minute "porkbarrel" expenditures during the election campaign, has been put back on a secure footing. Upon taking office, Marcos initiated drastic retrenchments in government offices and agencies to cut

operating expenses. Philippine credit was re-established with the international financial institutions, a prerequisite for continued foreign assistance.

Marcos assumed the defense portfolio himself to facilitate revamping the military structure. Placing greater emphasis on the role of the military in economic development, he pushed through the creation of the 51st Engineer Brigade. Where the Philippine Army engineering capability previously consisted of three understrength battalions, now there are ten, not counting the engineering unit serving in Vietnam. The US has promised to equip five of these battalions, which are expected to carry out the bulk of the irrigation and road construction program.

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The navy assumed a greater antismuggling mission, but the effectiveness of its campaign was seriously undercut following sensational accusations in Congress that implicated several prominent individuals, including congressmen, in smuggling activities. Although the navy's capabilities to catch the smugglers have been increased by the addition of two new hydrofoil craft from Japan and four Swiftcraft from the US, the campaign to eradicate the syndicates backing smuggling eased off because Marcos could not afford the political repercussions. Nevertheless, the campaign did achieve a limited degree of success. The first six months of the new administration showed a marked increase in revenue collection, and a number of local industries, particularly the textile industry, have expanded production as a result of the increased protection.

However, a far more serious problem than smuggled textiles and cigarettes is the widespread practice of "technical smuggling" whereby importers falsify the value of shipments and pay a grossly underrated duty. This practice has stemmed mainly from the dishonesty of customs collectors and the Marcos administration has recently attempted to prevent it by requiring a certified Shipper's Export Declaration with each shipment. This requirement aroused strong protests from some of the Philippines' major trading partners, as it conflicts with normal procedures of international trade.

Progress in land reform and rural development has been discouraging so far. A broad gap has existed between government planning and implementation by the responsible agencies. Corruption and congressional failure to appropriate the necessary funds have destroyed many vital projects. The influence of the landlord class in both major parties has consistently delayed efforts to reduce the tenancy and usury that keep most peasants on a bare subsistence level.

Marcos has stressed the need to achieve national self-sufficiency in rice and corn. Although one third of all cultivated land is devoted to rice, the country still must import between five and ten percent of its annual requirements because backward methods result in an extremely low yield. Although the International Rice Institute at Los Banos in southern Luzon conducts advanced research on rice farming, Philippine rice crops suffer from a lack of irrigation, low usage of fertilizers, and high loss from pests. Newly authorized higher support prices for rice and corn now provide greater incentives for increased productivity, but the more difficult task is to break through the barrier of tradition and fear of change to persuade the peasant to use the improved seeds and methods. The government has just launched an extensive farmer education program that is expected to produce wider acceptance of new methods.

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The long, acrimonious debate last year over Marcos' authorizing the sending of an engineer construction battalion to Vietnam left scant legislative time for pressing domestic matters. Marcos' efforts to secure legislative approval for his program are further complicated by the fact that his Nacionalista Party holds only a slim majority in the Senate and was in the minority in the House until recently when 14 Liberal members defected. However, due to the peculiarities of Philippine politics, Marcos, a former Liberal, has often been able to muster more support from the Liberals than from his own Nacionalistas. Several of his bills passed the House only to be blocked in the Nacionalista-led Senate.

Lawlessness and Insurgency

On taking office, Marcos was faced with a depressing picture of continuing deterioration of law and order and increasing Communist-inspired subversion and insurgency. His efforts to mitigate the situation have not been notably successful. Statistics show an appreciable rise in the crime rate, and the Huk movement in central Luzon has continued to expand its activities. Communist infiltration of peasant, student, and labor groups has increased.

Crime and violence are more serious than any insurgent threat. Rooted in pervasive rural poverty and rising urban unemployment, the problem is compounded by the

widespread possession of firearms and a tradition of violence abetted by the war. Politicians retain bodyguards both for protection and for intimidation, and political assassination is not unusual. Under the Police Reform Bill, however, which Marcos identifies as one of the major achievements of his administration, a new police commission has been established to clarify jurisdiction between the various law forces and to improve service conditions for the much-maligned local police forces. Although the functions of the commission are largely advisory, Marcos views it as the key instrument in upgrading the police agencies. If the government makes use of its recommendations, the commission could prove a significant organ for the improvement of law and order.

Although there has been no major subversive or insurgent threat since Ramon Magsaysay suppressed the Huks some 14 years ago, the government is showing increased concern over the recent growth of Communist and Huk activity. The illegal Communist Party (PKP) has survived as a small, underground movement with probably fewer than 1,000 activists and little significance on the political scene. Having abandoned violent tactics for the "parliamentary struggle," the PKP is attempting to infiltrate its adherents into key government positions and to subvert groups catering to labor, youth, and peasantry.

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Foremost among the various suspected front organizations are the Workers Party (Lapiang Mangagawa), the Masaka - Free Farmers Association (Malayang Samahang Magsasaka), and the Patriotic Youth (Kabataang Makabayan), all formed since 1963. The three groups appear to have interlocking leadership, membership, and subjects of protest, and often jointly sponsor demonstrations.

The Workers Party, founded in 1963, has little influence on the labor scene today, representing less than ten percent of Philippine trade union membership. Rivalries among leaders have weakened its effectiveness from the beginning. Not keeping exclusively to labor affairs, it has given direction and assistance both to the Masaka--in organizing peasants in central Luzon --and to the Patriotic Youth.

The Masaka, organized in November 1964, has been active in organizing peasants in both central and southern Luzon, and

that it makes a special effort to attract former Huks to the cadre of new district chapters. The Masaka publicly offers to cooperate with government efforts in rural development and disavows violence. Instead it stresses the peasants' need for political power and offers its own organization as an effective vehicle to gain that power.

The substantial expansion of leftist activity among student

and youth groups in the past year has caused increasing concern to the government. Demonstrations during last October's heads of government conference in Manila sparked public hearings on the subject, evidently at Marcos' urging. A comprehensive intelligence study presented at the hearings stressed the apparent past association of Patriotic Youth's national chairman, Jose Ma. Sison, with the Indonesian Communist Party.

Radical Nationalism

Fundamentally distinct from the Marxist-Lenists are the radical nationalist elements who believe that all the country's ills are caused by US domination. Their leader is generally regarded as Senator Lorenzo Tanada, though he does not support the more extremist line advocated by some. Despite their differences in approach and idiom, the radical nationalists often make common cause with the left on specific issues, and leftists and radical nationalists may be found in the same protest groups, lending a tone of respectability to the leftists.

Neither the leftists nor the radical nationalists have sufficient clarity of program or national leadership to make a significant impact on the political scene. However, they are showing an appeal to an increasingly disillusioned youth in a country where two thirds of the population is under 20.

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Huk Resurgence

Of more serious concern to Marcos is the resurgence of the Hukbong Magpapalaya Sa Bayan--commonly known as "Huks." Originally the paramilitary arm of the PKP, the Huks over the years have taken on the appearance of marauding bandits, and extortionists, rather than of revolutionaries motivated by Communist ideology. Although there have been recent indications that recruits are again being given Marxist indoctrination, among the peasantry the Huks attempt to maintain a Robin Hood image of assisting the poor. In fact, the Huks' separate system of justice in the limited areas they influence appears to be more efficient than that of the government. Their decisions, which do not always favor the peasant, seem to be accepted by the landlords as well.

During the past 18 months, both the strength and the activities of the Huks have shown a marked increase. The number of armed cadre has grown from an estimated 37 to possibly 300 to 400, and the US Embassy in Manila estimates that the mass base support has increased by five to eight percent to about 28- to 29-thousand persons, roughly one percent of the population of the affected provinces. The number of assassinations and kidnappings jumped abruptly from 17 in all of 1965 to 71 in the first eight months of 1966. The most blatant act of terror was the murder of Mayor Anastasio Gallardo of Candaba, chairman of the anti-

Huk Mayors' League of Pampanga, while he was on his way to a meeting of the league with President Marcos. The league has since become dormant, its members fearing Huk reprisals.

Although the Huk threat is still modest, Marcos has been impressed by the need to meet it quickly. Last June he launched Operation Central Luzon (it has since adopted the less-military title of the Central Luzon Development Program), whose immediate mission is to implement the land reform code in critical areas of eastern Pampanga, and eventually to construct roads, schools, irrigation projects, and to improve agricultural methods. So far, the results have been modest. To improve security conditions, Marcos has now called for provisions in the FY-1968 budget to expand and improve the Philippine Constabulary.

A major stumbling block to reducing Huk influence is the continuing collaboration of local politicians seeking votes that the Huks can deliver. Moreover, as long as local landlords block reform efforts, as official corruption diverts funds for development projects, and as legal redress remains slow and one-sided, the peasant support on which the Huk depends will not be denied. The threat is still relatively insignificant, but Marcos will be judged on his ability to deal with it, and a manifest failure could contribute to future defeat at the polls.

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25X1 The Huks' present ties with the PKP are vague and contradictory. The terrorism that sustains Huk power is not in keeping with the party's purported abandonment of terror for the "parliamentary struggle." Reports on the leadership of the Huks and the illegal PKP are conflicting. The Huk chieftain Pedro Taruc is one of a three-man committee that reportedly has taken over the functions of the imprisoned PKP secretary general Jesus Lava. [REDACTED]

25X1 [REDACTED] however, Taruc has lost control of the Huks to Faustino del Mundo, whose Communist leanings are obscure. Most indications suggest that the imprisoned former party leaders retain real control of both the party and the Huks.

Foreign Relations

Marcos has used foreign policy primarily to encourage assistance for economic development at home. In this effort, his main trouble comes from the ultranationalists, who decry his close ties with the US and his support for the Vietnam effort.

Marcos has made good relations with the US the key to his foreign policy, justifying such ties as both a security necessity and a source of much-needed economic assistance. His trip to the US in September was regarded as highly successful both in terms of personal prestige and in acquiring strong support in Washington for his domestic development program. The US promised assistance for a broad range of

irrigation and agricultural development programs, as well as a special fund for educational and cultural projects. Marcos could also claim accomplishments in two areas of long-standing acrimonious dispute--US military bases and veterans' claims. His domestic position was enhanced by the announcement shortly after his return of the US agreement to reduce the term of the military bases agreement from 99 to 25 years, and by the passage of legislation by the US Congress substantially increasing benefits for Filipino war veterans.

However, the delay in delivering much of the promised assistance has destroyed some of the euphoria surrounding its commitment. Marcos is under particular pressure over the delayed receipt of equipment for the newly formed army engineer battalions. Critics of his Vietnam policy have constantly insisted that the engineer battalion now in Vietnam is desperately needed at home. The benefits of other assistance have been blocked by the failure of the Philippine Government to develop the specific project planning required before the assistance can be released. However, this problem should soon be rectified as most target projects are now in final planning stages. Aid now in the pipeline should begin arriving this spring, which will ease Marcos' present dilemma.

Beside seeking aid, Marcos has attempted to attract increased

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foreign investment to supplement limited domestic capital. His appeals to foreign business, however, have been gravely hampered by the opposition of the ultra-nationalists to what they consider foreign (particularly US) economic imperialism. Recent efforts by the mayor of Manila to shut down US and Chinese firms under a broad interpretation of the Retail Trade Nationalization Law, although temporarily frustrated by Marcos, have presumably had a negative effect on the investment climate. This law, which took effect in 1964 and was aimed primarily at the Chinese, prohibits foreign investment in retail trade. Diplomatic assurances had been given to the US after passage of the act in 1954 that American firms would be exempt by the nature of other trade agreements. However, a recent court interpretation has both broadened the definition of retail trade and stated that to qualify for exemption, a firm must be 100 percent US-owned, thus excluding many US firms with publicly held stock.

Efforts to normalize trade relations with Japan by urging Senate ratification of the long-pending Treaty of Amity, Commerce, and Navigation have also met with domestic opposition. Despite Marcos' efforts to secure legislative protection for the Philippine business community, fear of Japanese competition has continued to block ratification. This has hampered his attempts to attract increased Japanese investment, particularly in school

construction, agriculture, and road and rail building, although the Japanese continue to make sizable annual reparation payments. However, during his trip to Japan in September, Marcos secured a vague commitment of increased investment.

Trade with the Communist bloc has been viewed with increasing interest. The Soviet Union has made several informal proposals for trade talks, which have been vigorously supported by the leftist minority and have elicited a growing response from the business community. Although Philippine governments have long maintained a hard position against diplomatic or trade relations with any Communist country, Foreign Secretary Ramos has recently announced the government's agreement to hold exploratory trade talks with the Soviets during the tenth session of the UN's Economic Commission on Asia and the Far East (ECAFE) currently being held in Bangkok.

This decision could be in response to a growing pressure from the press and certain members of Congress to extend recognition to the Soviet Union. This pressure has increased with the relaxation of restrictions on travel to Communist countries, and the subsequent visits to China and the USSR by government officials and members of Congress. Although there is still considerable fear of possible Soviet espionage and subversive activities, with which Philippine security forces are ill-equipped to cope,

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opponents of recognition feel their position undercut by the improved relations between the US and the Soviet Union. The old argument that recognition would injure the special relationship with the US no longer appears valid, while the nationalists portray recognition as a symbol of Philippine independence from US domination. Although Marcos has publicly opposed recognition, he has had the issue under review since early December and may decide to shift his course, particularly to further his pretensions as an "honest broker" in the Vietnam conflict.

China continues to be viewed with great alarm. Security considerations and existing good relations with Taiwan would seem at this time to preclude any formal ties with Communist China. As a source of rice, however, it is gaining in attraction. Restrictions on US credits usually used for rice purchases have hitherto prevented any deals with China, although there have been attempts--apparently without official authorization--to buy Chinese rice through third countries using false certificates of origin. Central Bank governor Castillo's recent arrangement of German credits now makes such purchases possible. No doubt the government would prefer to continue limiting Philippine rice purchases to free world sources, but an unusually tight international market could cause a change in this policy.

Marcos as an "Honest Broker"

President Marcos has shown an increasing desire to establish his credentials as a leading Asian statesman. The Philippines have actively participated in a number of regional organizations, such as the revitalized Association of Southeast Asia, formed by the Philippines, Malaysia, and Thailand; the Asia-Pacific Council of Foreign Ministers, including also Australia, New Zealand, the Republic of China, Japan, Korea, and South Vietnam; and the Asian Development Bank, whose headquarters have been established in Manila.

Marcos staked his prestige on securing approval of the Aid to Vietnam bill, which was passed by a large majority in Congress last July. The Philippine commitment of army engineers to Vietnam has provided a successful vehicle for Marcos' increased participation in regional politics, which was culminated by the Manila Conference. Seeking to prolong the glow of publicity, Marcos has continued to initiate peace proposals--to the dismay of some of his fellow allies. These initiatives reflect, in part, a vague idea of an all-Asian forum for settling regional disputes, which Marcos occasionally surfaces. However, he has consistently maintained that the US military presence is imperative as a shield behind which the free Asian nations can work to solve their mutual problems.

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Outlook

Marcos is aware of the need for more substantial progress in internal development and has indicated his intention to concentrate his efforts on "rice and roads"--expanded food production and improved land communications. Any resulting improvement in rural income would also serve to stimulate local industry. This program should be achievable, especially once the engineering battalions are equipped and operating. The recent development of a new strain of rice is expected to increase crop yield greatly, and the vigorous efforts to persuade the farmers to use the new seed may soon show results. Various other development projects have reached the take-off stage in planning and could push ahead in the next year.

Next November's off-year election for one third of the Senate may disrupt Marcos' efforts. Political maneuverings

have already replaced both the president of the Senate and the speaker of the House. The effect of these changes on Marcos' ability to attract continued bipartisan support for his legislative program is not yet clear. However, Philippine politicians have traditionally thrust aside important legislative matters for prolonged electioneering. Marcos' chances to achieve significant progress in the next year will depend on his ability to control factionalism and infighting in the Congress.

With a year of experience behind him, Marcos may well become more forceful in asserting his leadership. He will need all of his reputed ruthlessness and political skill to push past the obstacles of tradition and vested interest to propel the country forward. Failure could produce the same rising disillusionment that has swept out every previous administration after just one term.

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